

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Northwestern Regional Airport Commission		County Grand Traverse	
Fiscal Year End 12/31/07		Opinion Date 4/11/08		Date Audit Report Submitted to State 5/28/08			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Letter to Finance Committee	
Certified Public Accountant (Firm Name) Harris Group, CPAs			Telephone Number 231-946-8930	
Street Address 731 South Garfield Ave			City Traverse City	State MI
			Zip 49686	
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

NORTHWESTERN REGIONAL AIRPORT COMMISSION
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

Officers and Commissioners of the
Northwestern Regional Airport Commission

We have audited the basic financial statements of the Northwestern Regional Airport Commission (the "Commission") as of December 31, 2007, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwestern Regional Airport Commission as of December 31, 2007, 2006 and 2005, and results of its operation and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Northwestern Regional Airport Commission has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

April 11, 2008

NORTHWESTERN REGIONAL AIRPORT COMMISSION
BALANCE SHEETS
DECEMBER 31, 2007, 2006 AND 2005

ASSETS	<u>2007</u>	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 4,083,321	\$ 3,542,421	\$ 3,288,511
Investments	1,005,790	963,841	445,876
Accounts receivable, Trade, net of allowance for doubtful accounts of \$27,000 at December 31, 2007 and 2006, and \$10,000 at 2005, respectively	465,838	465,429	401,151
Other receivables	3,009	3,412	
Current portion of note receivable			
Inventories	51,593	29,390	25,781
Prepaid expenses and construction advances	<u>342,630</u>	<u>106,541</u>	<u>346,767</u>
Total current assets	5,952,181	5,111,034	4,508,086
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation	58,050,123	60,084,563	57,719,913
RESTRICTED ASSETS:			
Cash and investments	3,734,665	3,639,458	3,002,154
Passenger facility charges receivable	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Total assets	<u><u>\$ 67,796,969</u></u>	<u><u>\$ 68,895,055</u></u>	<u><u>\$ 65,290,153</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Current portion of long-term debt	\$ 140,000	\$ 135,000	\$ 105,000
Accounts payable	117,251	121,944	96,445
Accrued expenses	220,865	207,239	221,647
Accrued construction expenses	<u></u>	<u>451,578</u>	<u></u>
Total current liabilities	478,116	915,763	423,092
LONG-TERM DEBT, less current portion	<u>3,520,000</u>	<u>3,660,000</u>	<u>3,795,000</u>
Total liabilities	<u>3,998,116</u>	<u>4,575,761</u>	<u>4,218,092</u>
NET ASSETS:			
Invested in capital assets, net of related debt	54,390,123	56,289,563	53,819,913
Restricted for particular use	297,429	293,902	290,453
Unreserved	<u>9,111,301</u>	<u>7,735,829</u>	<u>6,961,695</u>
Total net assets	<u>63,798,853</u>	<u>64,319,294</u>	<u>61,072,061</u>
Total liabilities and net assets	<u><u>\$ 67,796,969</u></u>	<u><u>\$ 68,895,055</u></u>	<u><u>\$ 65,290,153</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007	2006	2005
OPERATING REVENUES:			
Rental income	\$ 1,404,283	\$ 1,398,610	\$ 1,364,793
Rent-A-Car concessions	662,756	654,997	618,805
Auto parking	948,311	890,474	895,162
Landing fees	415,045	430,992	427,123
Aviation fuel and oil	179,166	199,893	176,700
State grant			188,637
Rental car fuel	269,982	43,095	27,100
Advertising	44,225	42,090	39,825
Ground transportation fees	2,818	1,546	1,493
Concessions	7,730	8,986	9,678
Tie downs	10,361	7,974	5,139
TSA Reimbursements	142,490	149,731	100,562
Miscellaneous	101,682	47,929	84,247
	<u>4,188,849</u>	<u>3,876,317</u>	<u>3,939,264</u>
OPERATING EXPENSES:			
Depreciation	2,537,191	2,055,480	1,838,829
Salaries and wages	1,011,261	924,560	921,096
Utilities	568,699	534,213	585,230
Repairs and maintenance	332,402	318,638	335,767
Facilities demolition	192,009		
Payroll taxes and benefits	323,445	313,728	314,726
Advertising and promotion	129,433	96,496	94,584
Janitor services	127,196	113,651	110,042
Rental car fuel	260,235	46,329	27,822
Pension expense	117,551	113,902	104,719
Professional services	233,087	225,196	373,446
Contracted fire protection services	302,701	318,477	280,878
Insurance	119,179	119,564	109,623
Equipment rental and repair	175,691	134,310	143,307
Supplies and other expenses	63,575	43,479	44,425
Telephone	26,408	38,255	27,293
Consolidated facility charge expenditures	29,020	25,909	39,367
Bad debts		17,000	2,816
	<u>6,549,083</u>	<u>5,439,187</u>	<u>5,353,970</u>
OPERATING INCOME (LOSS)	<u>(2,360,234)</u>	<u>(1,562,870)</u>	<u>(1,414,706)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	223,532	159,410	30,981
Interest expense	(145,727)	(146,453)	(139,952)
Gain (loss) from disposal of capital assets	(2,910,532)		
Gain (loss) from sale of investments		1	89,955
	<u>(2,832,727)</u>	<u>12,958</u>	<u>(19,016)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(5,192,961)</u>	<u>(1,549,912)</u>	<u>(1,433,722)</u>
The accompanying notes are an integral part of these financial statements.			

NORTHWESTERN REGIONAL AIRPORT COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(continued)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS (from previous page)	(5,192,961)	(1,549,912)	(1,433,722)
CAPITAL CONTRIBUTIONS AND CHARGES	<u>4,672,520</u>	<u>4,797,145</u>	<u>7,894,529</u>
CHANGE IN NET ASSETS	(520,441)	3,247,233	6,460,807
NET ASSETS, beginning of year	<u>64,319,294</u>	<u>61,072,061</u>	<u>54,611,254</u>
NET ASSETS, end of year	<u>\$ 63,798,853</u>	<u>\$ 64,319,294</u>	<u>\$ 61,072,061</u>

The accompanying notes are an integral part of these financial statements.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from operating revenues	\$ 4,188,843	\$ 3,808,628	\$ 3,836,136
Cash paid to suppliers and employees	<u>(3,968,739)</u>	<u>(2,684,422)</u>	<u>(3,181,788)</u>
Net cash (used) provided by operating activities	<u>220,104</u>	<u>1,124,206</u>	<u>654,348</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from debt			3,900,000
Payments on debt	(135,000)	(105,000)	
Interest paid	(145,727)	(146,453)	(139,952)
Note receivable payments received			18,612
Purchase of property, plant and equipment	(611,269)	(719,211)	(2,453,369)
Receipts of passenger facility charges	916,995	904,593	891,544
Receipts of customer facility charges	<u>209,421</u>	<u>191,634</u>	<u>163,628</u>
Net cash provided (used) by capital and related financing activities	<u>234,420</u>	<u>125,563</u>	<u>2,380,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (Purchase) of investments and restricted cash and investments	(137,156)	(1,155,269)	(486,618)
Interest received	<u>223,532</u>	<u>159,410</u>	<u>30,981</u>
Net cash provided (used) by investing activities	<u>86,376</u>	<u>(995,859)</u>	<u>(455,637)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	540,900	253,910	2,579,174
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,542,421</u>	<u>3,288,511</u>	<u>709,337</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 4,083,321</u></u>	<u><u>\$ 3,542,421</u></u>	<u><u>\$ 3,288,511</u></u>
NONCASH FINANCING AND INVESTING ACTIVITIES			
The Commission had noncash capital and related financing activities as follows:			
Acquisition of property, plant and equipment through grants	<u><u>\$ 3,546,104</u></u>	<u><u>\$ 3,700,918</u></u>	<u><u>\$ 6,839,355</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Continued)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (loss)	\$ (2,360,234)	\$ (1,562,870)	\$ (1,414,706)
Adjustments necessary to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	2,537,191	2,055,480	1,838,829
Decrease (Increase) in:			
Accounts receivable – trade	(6)	(67,690)	(103,128)
Prepaid expenses	(236,089)	240,226	596,120
Inventories	(22,203)	(3,609)	11,919
Increase (Decrease) in:			
Accounts payable	(4,693)	25,499	(339,242)
Accrued expenses	306,138	(437,170)	64,556
Total adjustments	<u>2,580,338</u>	<u>2,687,076</u>	<u>2,069,054</u>
Cash provided (used) by operating activities	<u>\$ 220,104</u>	<u>\$ 1,124,206</u>	<u>\$ 654,348</u>

The accompanying notes are an integral part of these financial statements.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Northwestern Regional Airport Commission (the “Commission”) is a governmental entity consisting of representatives from Grand Traverse and Leelanau Counties. The Commission operates and maintains the Cherry Capital Airport (the “Airport”) in Traverse City, MI.

Defining the Reporting Entity

The Northwestern Regional Airport Commission is the basic level of government that has oversight responsibility and control over all activities related to the operations of the Airport. The Commission is eligible to receive funding from local, State and Federal governmental sources and must comply with the concomitant requirements of these funding source entities.

The Commission is not included in any other governmental “reporting entity”, as defined by Governmental Accounting Standards Board Statement #14, since the Commission has decision making authority, the power to designate management, the ability to significantly influence operations and retain primary accountability for fiscal matters.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash Equivalents

The Commission considers all unrestricted deposits and temporary investments with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory consists mainly of maintenance supplies and is stated at the lower of cost or market. Cost is determined using the FIFO (first in, first out) method of inventory valuation.

Revenue Recognition

The Commission earns and records a significant portion of their operating revenues from rental fees charged to airlines who regularly operate flights at the airport, rents charged to airport-based car rental agencies, parking fees, landing fees based on the number of landings and weight of the aircraft, as well as aviation fuel and oil sales. All leases are accounted for as operating leases, whereby revenue is recognized in the period the facility use is provided.

**NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, Plant and Equipment

Fixed assets are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. No depreciation is provided on construction in progress until the project is complete and the asset is placed in service. Estimated useful lives of fixed assets are as follows:

Landing facilities and road	10 - 20 years
Building and improvements	10 - 39 years
Furniture and equipment	5 - 33 years

Depreciation recognized on assets acquired or constructed through resources externally restricted for capital acquisition is closed to the appropriate contributed capital account. Net income adjusted by the amount of depreciation on property, plant and equipment acquired in this manner is closed to unrestricted retained earnings. Costs of maintenance and repairs are charged to expense when incurred.

Compensated Absences

Vacation and sick leave benefits are charged to operations when earned by the Commission's employees. Unused benefits are recorded as a current liability and are included with accrued expenses on the balance sheet. The amount of accrued vacation was \$34,646, \$30,061 and \$32,531 and the accrued sick pay was \$72,207, \$68,371 and \$66,109 at December 31, 2007, 2006 and 2005, respectively.

Pension Plan

All Airport employees are covered under the Michigan Municipal Employees Retirement System. Participants' contributions were funded 100% by the Commission. It is the Commission's policy to fund retirement costs annually as incurred.

Tax Status

The Commission is a governmental entity exempt from income taxes under Section 501(c)(1) of the Internal Revenue Code.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS

The Commission's deposits and investments at December 31, 2007, 2006 and 2005 are composed of the following:

	2007			2006			2005		
	Cash and Equivalents	Investments	Restricted Assets	Cash and Equivalents	Investments	Restricted Assets	Cash and Equivalents	Investments	Restricted Assets
Deposits	\$ 4,082,171	\$	\$ 2,685,945	\$ 3,541,271	\$	\$ 2,641,739	\$ 3,287,411	\$	\$ 2,521,170
Investments		1,005,790	1,048,720		963,841	997,719		445,876	480,984
Petty cash On hand	<u>1,150</u>			<u>1,150</u>			<u>1,100</u>		
Total	<u>\$ 4,083,321</u>	<u>\$ 1,005,790</u>	<u>\$ 3,734,665</u>	<u>\$ 3,542,421</u>	<u>\$ 963,841</u>	<u>\$ 3,639,458</u>	<u>\$ 3,288,511</u>	<u>\$ 445,876</u>	<u>\$ 3,002,154</u>

The above deposits are uncollateralized and are held with financial institutions which provide FDIC insurance coverage. The uninsured balances of these accounts reported by the financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) total \$3,496,722, \$3,375,819 and \$2,700,073 at December 31, 2007, 2006 and 2005, respectively. The amount covered by Federal Depository Insurance is \$594,054.

Investments

The Commission had the following investments as of December 31, 2007:

Investment	Maturity	Rating	Fair Value
U.S. Treasury Bills – FHLB	6/12/2008	AAA/AAA	\$ 194,977
U.S. Treasury Bills – FFCB	9/17/2008	AAA/AAA	196,539
U.S. Treasury Bills - FHLMC MTN	4/16/2008	AAA/AAA	95,941
Money Market Fund			31,351
Money Market Fund			107,468
Money Market Fund			422,445
U.S. Treasury Bills – FFCB	9/17/2008	AAA/AAA	173,083
U.S. Treasury Bills – FHLB	6/12/2008	AAA/AAA	196,560
U.S. Treasury Bills - FHLMC MTN	4/16/2008	AAA/AAA	97,523
Money Market Fund			11,995
U.S. Treasury Bills - FNMA MTN	10/1/2008	AAA/AAA	54,469
U.S. Treasury Bills – FNMA	6/18/2008	AAA/AAA	98,970
U.S. Treasury Bills – FHLB	1/25/2008	AAA/AAA	98,595
Money Market Fund			<u>274,596</u>
			<u>\$ 2,054,512</u>

Rating noted is by Moody's and S&P.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS - continued

Interest Rate Risk – The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the Commission to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Commission is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Commission places no limit on the amount the district may invest in any one issuer.

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

A summary of the property, plant and equipment is as follows:

	2007	2006	2005
Land	\$ 700,333	\$ 700,333	\$ 700,333
Landing facilities and road	15,769,128	14,052,863	14,051,286
Buildings and improvements	53,740,708	54,308,460	47,752,868
Furniture and equipment	5,498,411	4,848,220	2,901,266
Construction in progress	257,984	4,328,291	8,406,794
	75,966,564	78,238,167	73,812,547
Less accumulated depreciation	17,916,441	18,153,604	16,092,634
Net carrying amount	<u>\$ 58,050,123</u>	<u>\$ 60,084,563</u>	<u>\$ 57,719,913</u>

**NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT - continued

Construction in progress consists of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Acquire snow removal equipment – Sweeper, Loader, and Blower;; Update Airport Master Plan; Construct Aircraft Rescue and Fire Fighting Building (Design Only); Construct Snow Removal Equipment Building (Design Only)	\$	\$ 379,966	\$ 1,790,312
Construct Aircraft Rescue and Fire Fighting Security Building			2,089,802
Construct Aircraft Rescue and Fire Fighting/Security Building And acquire Snow Removal Equipment			733,685
Acquire aircraft rescue and fire fighting vehicle; install misc NAVIDS, install perimeter fence; install Runway 10-28 surface sensors		1,593,504	27,670
Construct Runway 18/36 Safety Area		993,537	925,568
Construct Building for Snow Removal Equipment		1,109,118	
Rehabilitation of Lighting, Sensors, and airfield signs; Runway 10-28	257,414	228,166	
Update master plan	570		
Local share of construction unallocated to specific project number by the Michigan Department of Transportation		24,000	23,216
Closed projects			<u>2,816,541</u>
	<u>\$ 257,984</u>	<u>\$ 4,328,291</u>	<u>\$ 8,406,794</u>

The cost of future construction and equipment additions in progress at December 31, 2007 is expected to be \$126,958, of which \$100,187 will be financed through grants. The Commission has satisfied its funding requirements for projects under construction at December 31, 2007.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RESTRICTED ASSETS

Restricted assets consist of cash and investments set aside by the Commission for the following reasons:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Proceeds from passenger facility charges	\$ 3,407,881	\$ 3,235,549	\$ 2,546,415
Receivables for passenger facility charges	60,000	60,000	60,000
Proceeds from customer facility charges	29,355	110,007	165,286
Proceeds from the sale of auto maintenance building	48,308	47,735	47,735
Allocated proceeds from sale of property by governmental unit	116,778	115,393	113,944
Proceeds from the sale of Aeropark lot	<u>132,343</u>	<u>130,774</u>	<u>128,774</u>
 Total	 <u>\$ 3,794,665</u>	 <u>\$ 3,699,458</u>	 <u>\$ 3,062,154</u>

The proceeds from passenger facility charges, plus interest earned on the funds, have been restricted for approved projects in accordance with Federal regulations.

The proceeds from the customer facility charges, plus interest earned on the funds, have been restricted for the construction of the rental car wash facility.

The proceeds from the sales of the auto maintenance building and the governmental property, plus any interest earned on these funds, have been restricted by the Commission for future airport improvements.

The proceeds from the sale of the Aeropark lot, plus interest earned on the funds, have been restricted for future airport improvements.

NOTE 5 – LONG-TERM DEBT

Airport Revenue Bonds, Series 2005 were obtained from Municipal Financial Consultants Incorporated. At December 31, 2007, long-term obligations currently outstanding are as follows:

Airport Revenue Bonds, Series 2005 payable in annual installments of \$135,000 to \$290,000 from August 2007 through February 2025, interest at 2.15 to 4.50%	<u>\$ 3,660,000</u>
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NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT - continued

The annual requirements to amortize long-term obligations outstanding as of December 31, 2007 including interest of \$1,544,136 are as follows:

Year ending December 31,	Principal	Interest	Total
2008	\$ 140,000	\$ 139,843	\$ 279,843
2009	145,000	136,207	281,207
2010	150,000	132,185	282,185
2011	160,000	127,568	287,568
2012	165,000	122,365	287,365
2013 – 2017	920,000	517,685	1,437,685
2018 – 2022	1,150,000	311,472	1,461,472
2023 - 2025	830,000	56,811	886,811
	<u>\$ 3,660,000</u>	<u>\$ 1,544,136</u>	<u>\$ 5,204,136</u>

The following is a summary of the changes in long-term liabilities for the year ended December 31, 2007:

	Beginning balance	Additions	Reductions	Ending Balance	Due within one year
Bonds payable:					
Revenue Bonds	<u>\$ 3,795,000</u>	<u>\$</u>	<u>\$ 135,000</u>	<u>\$ 3,660,000</u>	<u>\$ 140,000</u>

Interest expense for the year ended December 31, 2007 was \$145,727.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CAPITAL GRANTS

As of December 31, 2007, the Commission has contracted with Federal and State agencies to construct facilities and purchase equipment. Not all of the funding the Commission is eligible to receive has been released to them, as the projects have not been completed. A schedule of grants earned and for which funding is still available is presented below.

Project	Grant Amount	2005	2006	2007	Amount Remaining at 12/31/07
Rehabilitation of Lighting, Sensors, and airfield signs; Runway 10-28	\$ 243,000	\$	\$ 205,350	\$ 26,323	\$ 11,327
Update master plan	112,069			555	111,514
Closed contracts		<u>11,377,465</u>	<u>6,634,005</u>	<u>3,519,226</u>	
Totals		<u>\$ 11,377,465</u>	<u>\$ 6,839,355</u>	<u>\$ 3,546,104</u>	<u>\$ 122,841</u>

* Projects considered complete as of December 31, 2007

**NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – LOCAL GOVERNMENT REPRESENTATION

By resolution adopted during 1990, Grand Traverse County was granted representation by five members and Leelanau County two members on the Commission's Board. At the same time, Antrim, Benzie and Kalkaska Counties were granted the opportunity to join the Commission with two representatives from Antrim County and one member each from Benzie and Kalkaska Counties. As of December 31, 2007, Antrim, Benzie and Kalkaska Counties had not joined the Commission.

NOTE 8 – OPERATING LEASES

The Northwestern Regional Airport Commission entered into a lease agreement on May 1, 1972 with the City of Traverse City. The terms of the lease provide that all Airport land, buildings and appurtenances owned and controlled by the City will be leased for a period of 40 years for \$1, with options to renew. The Commission also accepted responsibility for maintenance and operating expenses related to the property. On July 3, 1990, the City of Traverse City transferred property and assigned its interest in the lease agreement to Grand Traverse and Leelanau Counties. In 1990, the Counties agreed to extend the operating agreement to 50 years, which was reduced to written agreement executed by the counties and the Commission on February 17, 2002. Due to the Commission's creation by contract between the counties, title to the airport merged into the counties (and the Commission) at the time of conveyance from the City, thereby relieving the counties of the need to extend the original lease. The Northwestern Regional Airport Commission continues to operate the airport through 2040 by written agreement of the counties as referenced above.

NOTE 9 – PENSION PLAN

Plan Description

The Northwestern Regional Airport Commission participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible employees of the Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Michigan Municipal Employees Retirement System, 447 North Canal, Lansing, MI 48917 or by calling (517) 622-3197.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Commission's competitive bargaining units. It is the Commission's policy to annually fund the plan in an amount equal to the annual required contribution.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – PENSION PLAN - continued

Annual Pension Cost

For the year ended December 31, 2007, 2006 and 2005, the Commission's annual pension cost of \$117,551, \$113,902 and \$104,719 for the plan was equal to the Commission's required and actual contribution. The annual required contribution was determined as part of the actuarial valuation at December 31, 2006, using the entry age normal cost funding method. Significant actuarial assumptions used include (a) an 8.0% investment rate of return, (b) projected salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases, and (c) 2.5% per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level annual percentage of payroll payment required to amortize the unfunded actuarial accrual liability over 30 years.

Three-year Trend Information

	2005	2006	2007
Annual pension cost	\$ 104,719	\$ 113,902	\$ 117,551
Percentage of APC contributed	100%	100%	100%
Net pension obligation			
Actuarial value of assets	2,070,664	2,265,058	2,511,119
Actuarial accrued liability (entry age)	2,640,600	2,807,632	2,992,970
Unfunded AAL	569,936	542,574	481,851
Funded ratio	78%	81%	83.9%
Covered payroll	830,895	870,170	874,363
UAAL as a percentage of covered payroll	69%	62%	55%

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Legal Actions

The Commission is involved in legal actions and may be contingently liable for environmental damages and other costs arising in the ordinary course of business. In the opinion of the Commission, any actions with respect to these matters will not materially affect the Commission's results of operations or financial position.

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission is included under the County of Grand Traverse's coverage in the Michigan Municipal Risk Management Authority for risk of loss relating to its real property.

The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS AND CONTINGENCIES - continued

Risk Management - continued

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$50,000. The limits on auto physical damage are \$10,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10% of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligations to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The Commission carries commercial insurance for all other risks of loss including workers' compensation and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2007 presentation.



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audit of the financial statements of the Northwestern Regional Airport Commission for December 31, 2007, 2006 and 2005 appears on page 1. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information on pages 19 through 24 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.

Certified Public Accountants
April 11, 2008

NORTHWESTERN REGIONAL AIRPORT COMMISSION
SCHEDULES OF REVENUES, EXPENDITURES AND OTHER FINANCING USES –
BUDGET (CASH BASIS) AND ACTUAL (ACCRUAL BASIS EXCLUDING
DEPRECIATION AND BAD DEBT EXPENSE)
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007				
	Budget	Actual	Variance - Favorable (Unfavorable)	2006 Actual	2005 Actual
OPERATING REVENUES:					
Rental income	\$ 1,406,013	\$ 1,404,283	\$ (1,730)	\$ 1,398,610	\$ 1,364,793
Rent-A-Car concessions	655,250	662,756	7,506	654,997	618,805
Auto parking	955,500	948,311	(7,189)	890,474	895,162
Landing fees	419,885	415,045	(4,840)	430,992	427,123
Aviation fuel and oil	152,050	179,166	27,116	199,893	176,700
State grant					188,637
Rental car fuel	144,100	269,982	125,882	43,095	27,100
Advertising	42,000	44,225	2,225	42,090	39,825
Ground transportation fees	2,950	2,818	(132)	1,546	1,493
Concessions	6,000	7,730	1,730	8,986	9,678
Tie downs	8,680	10,361	1,681	7,974	5,139
TSA reimbursements	144,000	142,490	(1,510)	149,731	100,562
Miscellaneous	287,300	101,682	(185,618)	47,929	84,247
Total operating revenues	4,223,728	4,188,849	(34,879)	3,876,317	3,939,264
OPERATING EXPENSES:					
Salaries and wages	1,105,968	1,011,261	94,707	924,560	921,096
Utilities	579,000	568,699	9,301	534,213	585,230
Repairs and maintenance	455,375	524,411	(69,036)	318,638	335,767
Payroll taxes and benefits	394,959	323,445	71,514	313,728	314,726
Advertising and promotion	252,400	129,433	122,967	96,496	94,584
Janitor services	138,125	127,196	10,929	113,651	110,042
Rental car fuel	131,000	260,235	(129,235)	46,329	27,822
Pension expense	136,836	117,551	19,285	113,902	104,719
Professional services	632,375	535,788	96,587	543,673	654,324
Insurance	121,525	119,179	2,346	119,564	109,623
Equipment rental and repair	169,100	175,691	(6,591)	134,310	143,307
Supplies and other expenses	83,395	63,575	19,820	43,479	44,425
Telephone	44,660	26,408	18,252	38,255	27,293
CFC expenditures		29,020	(29,020)	25,909	39,367
Total operating expenses	4,244,718	4,011,892	232,826	3,366,707	3,512,325
OPERATING INCOME (LOSS)	(20,990)	176,957	197,947	509,610	426,939
NONOPERATING REVENUES (EXPENSES)					
Interest income		223,532	223,532	159,410	30,981
Interest expense					(139,952)
Gain (loss) on sale of investments				1	89,955
Gain (loss) on disposal of capital assets		(2,910,531)	(2,910,531)		
Total nonoperating revenues – net		(2,686,999)	(2,686,999)	159,411	(19,016)
REVENUES OVER EXPENDITURES	(20,990)	(2,510,042)	(2,489,052)	669,021	407,923

NORTHWESTERN REGIONAL AIRPORT COMMISSION
SCHEDULES OF REVENUES, EXPENDITURES AND OTHER FINANCING USES –
BUDGET (CASH BASIS) AND ACTUAL (ACCRUAL BASIS EXCLUDING
DEPRECIATION AND BAD DEBT EXPENSE)
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(continued)

	2007				
	Budget	Actual	Variance - Favorable (Unfavorable)	2006 Actual	2005 Actual
REVENUES OVER EXPENDITURES					
From previous page	\$ (20,990)	\$ (2,510,042)	\$ (2,489,052)	\$ 669,021	\$ 407,923
OTHER FINANCING USES					
Bond Proceeds					3,900,000
Working Cash Fund					
Capital outlay	(358,100)	(554,845)	(200,745)	(32,897)	(1,326,967)
Reserve for airline terminal					(521,898)
Reserve for airline terminal/FFE					
Reserve for rent-a-car-service					
Bond payment	(278,500)	(278,179)	321	(251,453)	
Contingency	(200,000)		200,000		
Total other financing uses	(836,600)	(837,024)	(424)	(284,350)	2,051,135
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ (857,590)</u>	<u>\$ (3,347,066)</u>	<u>\$ (2,489,476)</u>	<u>\$ 384,671</u>	<u>\$ 2,459,058</u>

NORTHWESTERN REGIONAL AIRPORT COMMISSION
STATEMENTS OF CHANGES IN FUND EQUITY
(Pre Statement GASB #34)
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Capital Grants	Retained Earnings		
		Unreserved	Reserved	Total
Balance, January 1, 2005	\$ 42,388,909	\$ 12,023,405	\$ 198,940	\$ 12,222,345
Income (loss) before capital contributions		(1,433,722)		(1,433,722)
Allocated interest income		(3,058)	3,058	
Passenger facility charges	834,216			
Passenger facility charges interest income	57,328			
Transfer of passenger facility charges	(331,513)	331,513		331,513
Customer facility charges	163,629			
Capital grants	6,839,356			
Allocated earnings		(88,455)	88,455	
Depreciation expense related to property, plant and equipment acquired and constructed with capital grants	(1,645,292)	1,645,292		1,645,292
Balance, December 31, 2005	48,306,633	12,474,975	290,453	12,765,428
Income (loss) before capital contributions		(1,549,912)		(1,549,912)
Allocated interest income		(3,449)	3,449	
Passenger facility charges	799,070			
Passenger facility charges interest income	105,523			
Transfer of passenger facility charges	(462,371)	462,371		462,371
Customer facility charges	191,634			
Capital grants	3,700,918			
Depreciation expense related to property, plant and equipment acquired and constructed with capital grants	(1,872,648)	1,872,648		1,872,648
Balance, December 31, 2006	50,768,759	13,256,633	293,902	13,550,535
Income (loss) before capital contributions		(5,192,961)		(5,192,961)
Allocated interest income		(3,527)	3,527	
Passenger facility charges	767,794			
Passenger facility charges interest income	149,201			
Transfer of passenger facility charges/CFC	(995,151)	995,151		995,151
Customer facility charges	209,421			
Capital grants	3,546,104			
Basis of capital assets disposed	(1,944,362)	1,944,362		1,944,362
Depreciation expense related to property, plant and equipment acquired and constructed with capital grants	(1,896,065)	1,896,065		1,896,065
Balance, December 31, 2007	<u>\$ 50,605,701</u>	<u>\$ 12,895,723</u>	<u>\$ 297,429</u>	<u>\$ 13,193,152</u>

NORTHWESTERN REGIONAL AIRPORT COMMISSION
SCHEDULES OF CAPITAL CONTRIBUTIONS
DECEMBER 31, 2007, 2006 AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Federal Grants	\$ 3,427,653	\$ 3,430,488	\$ 6,421,493
State Grants	118,451	270,430	417,863
Passenger facility charges and interest earned	916,995	904,593	891,544
Customer facility charges	<u>209,421</u>	<u>191,634</u>	<u>163,629</u>
 Total capital contributions	 <u><u>\$ 4,672,520</u></u>	 <u><u>\$ 4,797,145</u></u>	 <u><u>\$ 7,894,529</u></u>

NORTHWESTERN REGIONAL AIRPORT COMMISSION
SCHEDULES OF CONTRIBUTED CAPITAL
DECEMBER 31, 2007, 2006 AND 2005

	Accumulated Contributed Capital Since Inception			Current Increase
	2007	2006	2005	
Federal government	\$ 59,896,960	\$ 56,469,307	\$ 53,038,819	\$ 3,427,653
State government	5,175,669	5,057,218	4,786,788	118,451
Local government	39,470	39,470	39,470	
Total capital grants	65,112,099	61,565,995	57,865,077	3,546,104
Less basis of capital assets disposed	1,944,362			1,944,362
Less accumulated write-downs through depreciation	16,098,858	14,202,793	12,330,145	1,896,065
Total capital grants, net of depreciation	47,068,879	47,363,202	45,534,932	(294,323)
Customer facility charges	68,941	110,008	165,286	(41,067)
Passenger facility charges, plus related investment earnings	3,467,881	3,295,549	2,606,415	172,332
Total contributed capital	\$ 50,605,701	\$ 50,768,759	\$ 48,306,633	\$ (163,058)

NORTHWESTERN REGIONAL AIRPORT COMMISSION
SCHEDULES OF ACCUMULATED EARNINGS
DECEMBER 31, 2007, 2006 AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Current Increase</u>
Cumulative local governmental contributions				
City of Traverse City	\$ 609,701	\$ 609,701	\$ 609,701	\$
Grand Traverse County	503,302	503,302	503,302	
Leelanau County	<u>293,440</u>	<u>293,440</u>	<u>293,440</u>	
 Total income from contributions	 1,406,443	 1,406,443	 1,406,443	
 Excess of revenues over expenses	 <u>11,786,709</u>	 <u>12,144,092</u>	 <u>11,358,985</u>	 <u>(357,383)</u>
 Accumulated earnings	 <u><u>\$ 13,193,152</u></u>	 <u><u>\$ 13,550,535</u></u>	 <u><u>\$ 12,765,428</u></u>	 <u><u>\$ (357,383)</u></u>

**NORTHWESTERN REGIONAL AIRPORT COMMISSION
OFFICERS AND COMMISSIONERS
DECEMBER 31, 2007**

Jim Minster	Chairman and Commissioner
Dr. Stephen Beeker	Vice Chairman and Commissioner
Jon Schmidtke	Treasurer and Commissioner
David Rapson	Commissioner
Jacqueline Scott	Commissioner
Robert Weaver	Commissioner
Larry Inman	Commissioner
Stephen Cassens	Secretary and Airport Director



**REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS ON SCHEDULE OF PASSENGER FACILITY
CHARGE REVENUE AND EXPENSES**

Officers and Commissioners of the
Northwestern Regional Airport Commission

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the **Northwestern Regional Airport Commission** (the "Commission") for the years ended December 31, 2007, 2006 and 2005 and have issued our report thereon dated April 11, 2008. We have also audited the accompanying Schedules of Passenger Facility Charge Revenue and Expenses of **Northwestern Regional Airport Commission** for the years ended December 31, 2007, 2006 and 2005. This schedule is the responsibility of the Commission's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit of the schedule in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Schedule of Passenger Facility Charge Revenue and Expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule of Passenger Facility Charge Revenue and Expenses referred to above presents fairly, in all material respects, the net transactions within the Passenger Facility Charge Account for the year ended December 31, 2007, 2006 and 2005 in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Passenger Facility Charge Reporting

In planning and performing our audits, we considered **Northwestern Regional Airport Commission's** internal control over passenger facility charge reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the schedule and not to provide assurance on the internal control over passenger facility charge reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over passenger facility charge reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the officers and commissioners and management of the Northwestern Regional Airport Commission and the Federal Aviation Administration and should not be used for any other purposes.

April 11, 2008

NORTHWESTERN REGIONAL AIRPORT COMMISSION
SCHEDULE OF PASSENGER FACILITY CHARGE REVENUE AND EXPENSES
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:			
Air carrier remittances	\$ 767,794	\$ 799,070	\$ 834,216
Interest	<u>149,307</u>	<u>105,557</u>	<u>57,349</u>
Total revenues	<u>917,101</u>	<u>904,627</u>	<u>891,565</u>
Expenses:			
Approved PFC expenditures	744,663	215,459	331,513
Bank fees	<u>106</u>	<u>34</u>	<u>21</u>
Total expenditures	<u>744,769</u>	<u>215,493</u>	<u>331,534</u>
Net passenger facility charge			
Revenue and expenses	<u><u>\$ 172,332</u></u>	<u><u>\$ 689,134</u></u>	<u><u>\$ 560,031</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHWESTERN REGIONAL AIRPORT COMMISSION
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE REVENUE AND EXPENSES

NOTE A – SUMMARY OF ACCOUNTING POLICIES

General

The Northwestern Regional Airport Commission (the “Commission”) is a governmental entity consisting of representatives from Grand Traverse and Leelanau Counties. The Commission operates and maintains the Cherry Capital Airport (the “Airport”) in Traverse City, Michigan.

Defining the Reporting Entity

The Northwestern Regional Airport Commission is the basic level of government, which has oversight responsibility and control over all activities related to the operations of the Airport. The Commission receives passenger facility charges from surcharges levied by airlines on behalf of the Commission. These revenues, as well as expenses, are required to be accounted for in the Schedule of Passenger Facility Charge Revenue and Expenses as proscribed by the Federal Aviation Administration. The activity reflected in this schedule is accounted for within the contributed capital detailed within the Commission’s general purpose financial statements.

Use of Estimates in the Preparation of the Schedule of Passenger Facility Charge Revenue and Expenses

The preparation of the Schedule of Passenger Facility Charge Revenue and Expenses in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Revenue Recognition

Passenger facility charge revenues are recognized within the period these charges are collected by air carriers on behalf of the Commission.



April 11, 2008

To the Board of Commissioners
Northwestern Regional Airport Commission

In planning and performing our audit of the basic financial statements of the Northwestern Regional Airport Commission for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving internal control structure and its operation that we feel should be brought to your attention as follows:

Bank Statements

In a small office such as the Airport Commission's it is necessary to use every possible employee to strengthen internal controls. Currently, bank statements are opened by the office secretary and routed to the accounting department. Due to the size of the office, the same person is reconciling the bank account that has significant access to other operating systems in the accounting department. We recommend that bank statements are given directly to the Airport Director to open and review for unusual items. This step will add additional safeguarding of the Commissions' assets and will not result in a significant time burden on the Airport Director.

This report is intended solely for the information and use of the Northwestern Regional Airport Commission, management, and others within the organization as well as the Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants



April 11, 2008

To the Audit Committee
Northwestern Regional Airport Commission

We have audited the financial statements of the Northwestern Regional Airport Commission for the year ended December 31, 2007, and have issued our report thereon dated April 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 20, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Northwestern Regional Airport Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Northwestern Regional Airport Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical information and an analysis of collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The adjustments made are attached to this communication.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed to those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management or staff in performing and completing our audit.

This information is intended solely for the use of the Audit Committee, Board of Commission, and management of the Northwestern Regional Airport Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Certified Public Accountants